

# Attachment

# Internal Audit Plan

12-Months Ending 6/30/22

*Office of the Auditor-Controller*



*County of Santa Barbara*

Betsy M. Schaffer, C.P.A.  
County Auditor-Controller

Salvador Rodriguez, CIA, CFE  
Internal Audit Chief

Administration Building  
105 E. Anapamu Street, Rm. 303  
Santa Barbara, CA 93101  
(805) 568-2100



This Internal Audit (IA) plan (Plan) has been developed to determine the priorities of the IA Division of the Auditor-Controller's Office.

As we operate in a dynamic environment that requires some margin of flexibility, this 2021-2022 Plan may be adjusted during the course of the 12-month period.

The Plan is driven by several factors, including:

1. Audits mandated by California Government Code or Board of Supervisors' Resolutions;
2. Consultations with County management; and
3. A risk assessment.

The Plan includes examination of internal control defined in the County of Santa Barbara Internal Control Policy and the County's supporting Internal Control Framework adopted by the Board of Supervisors (BOS) on March 20, 2018. This framework covers:

- organizational objectives of operations (effectiveness of internal controls, efficiency of business processes, safeguarding of assets),
- reporting (external and internal, financial and non-financial), and
- compliance (laws, regulations, procedures, etc.).

The framework consists of five components: control environment, risk assessment, control activities, information and communication, and monitoring activities. Examples of these IA projects in the Audit Plan include: (1) Internal Control Audits, (2) Cash and Investment reviews and Mandates, and (3) Information Technology Reviews. For each IA project in the Audit Plan, we have listed the preliminary objectives.

The IA Division goals are:

- provide IA services to the County Management, the Board of Supervisors (BOS), and other stakeholders,
- strive to be trusted advisors to key stakeholders by helping to continuously improve upon County practices in the areas of governance, risk management, and compliance,
- deliver value by providing insight that helps management design the County's operations and processes to more successfully accomplish control objectives of reliability of financial reporting, compliance with laws and regulations, efficiency and effectiveness of operations, and safeguarding of assets, and

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- to develop highly proficient audit professionals to assist management in determining whether the County is operating effectively, efficiently, and in compliance with applicable policies, procedures, and regulations.

Internal Auditors provide services while retaining their independence and objectivity. IA activities are designed to add value to the County by helping Departments accomplish their objectives, such as safeguarding assets, producing reliable financial information, and complying with laws and regulations. In addition to performing mandated audits, management may request our assistance to address issues upfront rather than wait for an audit to validate or critique their efforts.

## Whistleblower Hotline

The *Whistleblower Hotline Policy* and the *Fraud, Theft, and Loss Policy* authorizes the IA Division to administer the Whistleblower Hotline. In addition, the policies allow the Internal Audit Division to perform investigations related to potential fraud, waste, and abuse, and referrals to the appropriate government authority for cases outside of IA's jurisdiction.

The following is a list of projects IA plans to perform during the 12-month period of July 2021 through June 2022:

Number	Area	Objective
1	Cash and Investments Reviews	Pursuant to California Government Code 26920 and Santa Barbara County Code 2-23.2, determine whether cash and investments shown on the Statement of Assets of the Santa Barbara County Treasurer's Investment Pool are reasonably stated. The IA Division performs quarterly cash counts at the County treasury. The IA Division performs the Cash and Investment Reviews for the first three quarters of the year.
2	Tax Redemption Audit	Part VII, Chapter 1, Section 4108.5 of the R&T Code, requires an audit to be performed once every three years of the records and the counts of the Tax Collector relating to the performance of his duties as the Tax Redemption Officer. The objective of the audit is to evaluate the reliability and integrity of financial and operational tax redemption records and to determine compliance with laws and regulations governing redemption activities.
3	Quarterly Cash Counts	Determine compliance with County Cash Handling Guidelines for change funds. The IA Division performs unannounced cash counts at various County Departments to verify change fund balances.
4	Cash Shortages and Overages	The monitoring of cash shortages and overages. The IA Division will perform continuous monitoring and follow up with management regarding all cash shortages and overages to provide guidance in strengthening internal controls.

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5	Whistleblower Hotline Administration and investigations	<p>Board Resolution No. 11-432, the County's Fraud, Theft, and Loss Policy, and the County's Whistleblower Policy authorizes the IA Division of the Auditor-Controller's Office, in conjunction with the District Attorney's Office (if necessary), to evaluate suspected fraud and initiate any necessary investigative activity.</p> <p>The IA Division performs the administration, evaluation, and assessment of Whistleblower Hotline activity to identify and remediate any instances of fraud, waste and/or abuse. Investigations and referrals to appropriate government authority are performed by the IA Division.</p>
6	Risk Assessment	Pursuant to the County's IA Charter, the IA Division conducts a risk assessment for the Plan that will be presented to the County's Board of Supervisors for approval.
7	Accounts Receivable Reviews	Determine County Departments' compliance with the County's Financial Reporting policies for accounts receivable. The IA Division will review accounts receivable processes for various Departments.
8	Petty Cash Reviews	Determine County Departments' compliance with the County's Petty Cash Procedures. The IA Division will perform unannounced petty cash reviews.
9	Countywide management requests	The objective of this activity serves to allocate hours to County management requests for assistance. The IA Division will perform approved consulting projects.
10	Cash Handling	Determine County Departments' compliance with the County's Cash Handling Guidelines. The IA Division will review existing practices of controlling cash receipts, accountability for cash, safeguarding of cash, timely deposits, and accurate record keeping.
11	Credit Card Administration Project	The IA Division will review processes and controls for credit card administration.
12	Warrants (Paper Checks)	The IA Division will review the internal controls for the warrant issue and printing process of certain Departments, including warrants issued and printed outside of the Auditor-Controller's Office.
13	First 5 Compilation and Support	The IA Division will perform assistance for the financial statement compilation.
14	Information Technology Reviews	The IA Division will perform reviews of information technology controls (i.e., general controls, security, application controls) and system development for selected Departments.
15	Reporting (Loss/Theft)	The IA Division will track lost and stolen property throughout the year and prepare an annual <i>Lost and Stolen Property Report</i> for the BOS.
16	External Audit Monitoring	The IA Division participates in external audit meetings throughout the year and coordinates with various County Departments that require external audits from various regulatory agencies. An annual External Audit Monitoring report is prepared for the BOS summarizing any risks and overall observations of these external audits.
17	Vendor Contract Monitoring	The objectives of this project are to determine whether proper purchasing procedures were followed, vendors contracted to

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		perform services for the County complied with their contract terms, conditions, and the Public Contract Code (if applicable).
18	Annual Vendors over \$200K Report	The IA Division will prepare, complete, and deliver an annual report for vendor payments greater than \$200,000 at fiscal year end to the BOS.
19	Internal Auditor Training and Development	The Institute of Internal Auditors (IIA) professional standards requires Internal Auditors to complete annual continuing professional education. IA Staff training and development are consistent with requirements under Institute of Internal Auditors (IIA) Standards 1210-Proficiency, 1220-Due Professional Care, and 1230-Continuing Professional Development. In addition, the IA Chief provides additional training to the Internal Auditors.
20	Review and update of IA Division procedures.	The administration of the IA Division includes the review and update IA Division procedures - IIA Standard 2040 Policies and Procedures. The IA Chief will update division procedures.
21	Quality Assurance and Improvement Program	The IA Chief with assistance of the IA Supervisor will perform periodic self-assessments and monitoring to ensure an adequate Quality Assurance and Improvement Program is in place for the IA Division required by the County's IA Charter and IIA Standard 1300-Quality Assurance and Improvement Program.

## IA Summary of Activities – July 1, 2020 to June 30, 2021

### Background:

This summary report of activities is being presented to the BOS to support the reporting requirements of the IA Charter.

### Description:

IA activities usually fall into six (6) primary categories: internal control projects, compliance engagements, fraud investigations, special compliance reporting, management requests, and whistleblower hotline administration.

Due to the sensitive and confidential nature of certain cases, this report is intended to provide data on the volume, level, and type of work performed by IA rather than detail on specific cases.

A list of routine engagements completed during fiscal year 2020-2021:

- Cash & Investment Reviews for the Statement of Assets of the Santa Barbara County Treasurer's Investment Pool – Quarter (Q1), Q2, and Q3
- Unannounced Cash Counts – A total of twenty (20) cash counts performed on a quarterly basis for the following locations:
  - Clerk Recorder and Assessor- Santa Barbara- and Santa Maria offices
  - Community Services County Parks - Lake Cachuma and Jalama Beach

- Public Health Department - Santa Barbara Animals Services, Santa Maria Animal Services Shelter, Santa Maria Animal Services Clinic, Santa Barbara Health Care Center (HCC), Franklin HCC, Carpinteria HCC, Santa Maria HCC, and Lompoc HCC
- Public Works - Santa Barbara Transfer Station, Santa Ynez Transfer Station
- Treasurer-Tax Collector's - Santa Barbara- and Santa Maria offices
- Agency Fund Reviews – A total of four (4) completed and one (1) anticipated to be completed in July due to management requests for scheduling.
- IA projects based on management requests

Routine reports provided to BOS:

- Lost & Stolen Property
- Statement of Assets of the Santa Barbara County Treasurer's Investment Pool for the first three (3) quarters
- External Audit Monitoring
- Annual Vendors over \$200K Report

Other projects worked on that were part of the current year Audit Plan:

The *Whistleblower Hotline Policy* was approved and adopted by the Board of Supervisors on June 5, 2018. The Policy established the County's Whistleblower Hotline to enhance the current *Fraud, Theft and Loss Policy*, and enable individuals to promptly and confidentially report incidents of suspected fraud, waste and abuse without fear of retaliation.

- Hotline administration -
  - One hundred four (104) reports received for July 1, 2020 to June 1, 2021. This is the highest fiscal year total since the whistleblower program was launched in fiscal year 2018-19.
  - One (1) case is in process of review by IA.
  - Fifty-six (56) were related to COVID-19 compliance violations. Fifty-five (55) of the COVID-19 reports were referred to the County's Office of Emergency Management and one (1) report was investigated by IA.
  - A total of thirty (30) reports were referred.
  - Four (4) reports were investigated by IA.
  - Eight (8) reports were not investigated due to insufficient or unverifiable information provided by the reporter.

Other projects worked on that were not part of the current year Audit Plan:

- Department Head Transfer of Assets Program- The County Counsel and Behavioral Wellness Department Heads

### Certified Internal Audit Staff:

- Internal Audit Chief: Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), Certified Government Auditing Professional (CGAP), Certification in Risk Management Assurance (CRMA), Certification in Control Self-Assessment (CCSA), Certified Compliance & Ethics Professional (CCEP), Certified Information Systems Auditor (CISA), Certified Internal Controls Auditor (CICA), Certified in the Governance of Enterprise IT (CGEIT)
- Internal Audit Supervisor: Certified Public Accountant (CPA)

### Staff Development:

- IA staff are pursuing the CPA license
- The IA Chief provides IA staff in-house training.